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NEA FOR FRONT OFFICE; NEA/IPA FOR
WILLIAMS/SHAMPAIN/BELGRADE; NSC FOR ABRAMS/DORAN/WATERS;
TREASURY FOR NUGENT/HIRSON/HEFFERNAN/LOEFFLER/HARRIS;
BRUSSELS FOR LERNER; PLEASE PASS TO USAID FOR
KUNDER/MCCLOUD/BORODIN

E.O. 12958: DECL: 01/22/2016
TAGS: [EFIN](#) [PGOV](#) [PTER](#) [KTFN](#) [KWBG](#) [IS](#) [IZ](#)
SUBJECT: PALESTINIAN MONETARY AUTHORITY DEPUTY GOVERNOR ON
COUNTERING MONEY LAUNDERING AND TERRORIST FINANCING

Classified By: Consul General Jake Walles for reasons 1.4 (b) and (d).

¶1. (S) Summary: The Palestinian Monetary Authority (PMA) is now emphasizing actions against money laundering over countering terrorist financing because of the current political situation in the PA. It continues to draft anti-money laundering legislation that will put into law many of the same measures that are used to counter terrorist financing, according to the PMA Deputy Governor. The Financial Follow-up Unit (FFU) is now actively investigating suspicious activity reports from banks. The PMA is also undertaking the licensing of all moneychangers and has ended commercial banks' acceptance of third party-endorsed checks, he said. End summary.

PMA's strategy on AML/CTF legislation

¶2. (C) In a meeting with Econ and USAID officers, Deputy Governor of the Palestinian Monetary Authority (PMA) Jihad al-Wazir detailed how the PMA had adjusted its anti-money laundering/countering terrorist financing strategy, given Hamas' majority in the Palestinian Legislative Council and continued governance of the Palestinian Authority (PA). Al-Wazir said the PMA was now focusing on anti-money laundering (AML), not countering terrorist financing (CTF) since CTF is a non-starter given current political realities. However, putting in place AML measures would dramatically help with CTF, he stressed. Al-Wazir said the PMA continues to work with International Monetary Fund (IMF) consultants and a British-funded former AML unit head at Scotland Yard on finalizing draft AML legislation. The law would also focus on anti-corruption, he said, which should appeal to Hamas lawmakers.

Update on work of Financial
Intelligence Unit-equivalent

¶3. (C) Al-Wazir explained that the PMA currently has an internal financial intelligence unit, the Financial Follow-up Unit (FFU). Al-Wazir said there are concerns within the PMA that, if the FFU is retained within the PMA, there could be liability issues since the PMA does not enjoy the full sovereignty enjoyed by the central bank of an independent country. However, he noted that, as an independent body, the potential for abuse of the FFU by political actors could be greater. The current draft anti-money laundering legislation would make the FFU an independent agency. Regardless of its eventual status, al-Wazir stressed that no one wants the FFU to become another intelligence agency. (Note: While the FFU

currently sits in the PMA it was to have been funded by the PA Finance Ministry, according to an MOU signed by the previous government. Al-Wazir said that, given the current PA government's financial difficulties, the PMA is funding the FFU and will include it in its 2007 operating budget. End note.)

¶4. (C) Al-Wazir noted that the FFU is currently focused on responding to suspicious activity reports (SARs) filed by the local commercial banks. If it finds abuse, the FFU will close the account, at minimum, and forward the case to the Attorney General. Al-Wazir said the PMA is also trying to be proactive and not just depend on the SARs. For example, the PMA is licensing all moneychangers in the West Bank and Gaza and is working with the police to close those that are not eligible for licensing. He also said the PMA has stopped commercial banks operating in the West Bank and Gaza from accepting checks endorsed by third parties but is still trying to calculate how many endorsed checks are still being processed in the system. USAID officers briefed al-Wazir on the USAID project, SEFIR, which might assist the FFU. (Note: SEFIR would be activated once the Section 550 waiver is finalized. End note.)

WALLES